Setting up of Supreme Court's Benches in South and North-East Regions

1151. SHRI GOVINDRAM MIRI:
SHRI PARAG CHALIHA:

Will the Minister of LAW AND JUSTICE be pleased to state:

(a) whether the demand of setting up Supreme Court's Benches in the South and the North Eastern Region has recently been reiterated; and

(b) what is the reaction of Government thereto?

THE MINISTER OF STATE OF THE MINISTRY OF LAW AND JUSTICE (SHRI RAMAKANT D. KHALAP): (a) Yes, Sir.

(b) According to Article 130 of the Constitution, the Supreme Court shall sit in Delhi or in such other place or places, as the Chief Justice of India may, with the approval of the President, from time to time, appoint.

No proposal has been received from the Chief Justice of India in this regard. No action is contemplated by the Central Government till such a proposal is received.

Audit on misuse of Modvat and Flight of Capital

1152. SHRI SATISH PRADHAN: Will the Minister of FINANCE be pleased to state:

(a) whether a special audit conducted by his Ministry has revealed gross misuse of MODVAT and flight of millions of rupees on the basis of over-invoiced imports and under-invoiced exports;

(b) if so, the details thereof;

(c) the reaction of Government to the findings of a study conducted by three US economists; and

(d) details of the steps taken/proposed in this regard to check the outflow of capitals?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) and (b) Importers take credit under MODVAT Scheme of the Additional Duty of Customs, paid on imported goods at the time of clearance from Customs. In case the imported goods are over-invoiced, the importer will have to pay more towards the additional duty of Customs (CVD). The importer would be eligible to take MODVAT credit only upto that extent, and does not derive any added advantage.

(c) and (d) The Government is aware of the Study made by Dr. John Zdanowicz, a professor in Florida International University of USA. According to this Study, the estimated capital outflows from India to USA during 1993 ranged from US 4422 million to 1622 millions, which has been arrived at by comparing India's import and export prices from and to the United States to average and adjusted average US World import and export prices.

The study has, however, used only US generated data on imports from and exports to India and compared the same with either India's US import/export prices or with US-World import/export prices. Such a method is not free from pitfalls for the purpose of estimating capital flight, since pricing of commodities in international trade depends on a variety of factors and applying averages in such circumstances can lead to erroneous conclusions.

While the study has concluded that there was capital outflow due to under-invoicing of exports and over-invoicing of imports, the Customs authorities have also detected cases of under-invoicing of imports and over-invoicing of exports. The general belief is that imports are under-invoiced to evade high rates of import duty thereon and exports are over-invoiced in order to avail larger fiscal benefits under Export Incentive Schemes. Moreover, from the illustrative list of items of over-invoiced imports to